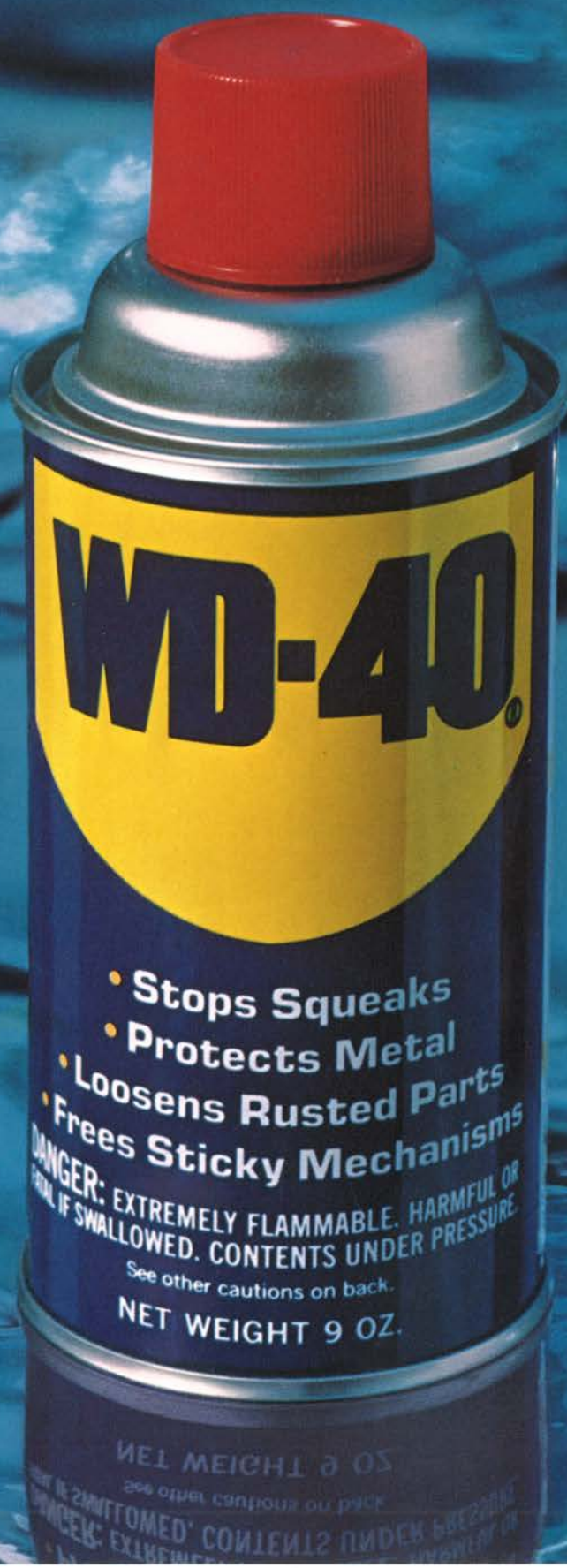


WD-40 COMPANY ANNUAL REPORT 1978

YEAR ENDING AUGUST 31



Highlights of Year Ended August 31, 1978

	1978	1977	% Increase
Net Sales.....	\$26,270,000	\$20,495,000	28.2%
Income before Taxes	\$ 8,604,000	\$ 5,749,000	49.7%
Net Income.....	\$ 4,134,000	\$ 2,736,000	51.1%
†Net Income per Share	\$1.67	\$1.125	48.4%
†Dividends Paid	\$.80	\$.55	45.4%
†Average No. of Shares Outstanding	2,471,426	2,434,566	
†Shares Outstanding	2,478,090	2,462,490	

- Current Ratio: 4.16 to 1
- Receivables to Sales: 13.5%
- Net Income to Average Net Worth: 59.6%
- Inventories to Sales: 2.5%
- Debt: None
- Sales per Employee: \$820,938

†Numbers restated to reflect 2 for 1 stock split effective October 10, 1978.

October 25, 1978

TO OUR SHAREHOLDERS:

For the 17th consecutive year, your Company's sales and earnings reached record levels. Sales climbed to \$26,270,000, up 28.2% from fiscal 1977. This represents "real" growth since there were no price changes in either fiscal 1977 or 1978.

Net income rose to \$4,134,000, up 51.1% over the previous year's all-time record. The improved profit margin was due chiefly to unit packaging cost reductions stemming from our switch in propellant systems.

On a per share basis, earnings were \$1.67 vs. \$1.125 a year ago. We paid cash dividends of \$.55 per share and raised the quarterly dividend to \$.25 per share effective July 30, 1978. Both the earnings and dividend amounts reflect the retroactive application of our 2 for 1 stock split which became effective October 10, 1978.

WD-40 sales increased in all of the many markets it serves. This continued growth in demand is attributed not only to the outstanding performance of our only product, but to the fact that our marketing programs are tailored to the numerous trade channels supplying the WD-40 markets. The inherent "cross-pollinization" characteristic of our single brand reinforces the effectiveness of these programs.

Domestic business generated over 90% of sales and earnings for the year. Excellent sales strides were made in Canada and we look forward to attractive earnings contributions from that country in coming years.

We doubled the capacity of our tank farm and constructed a pipe line to a nearby rail spur. This will permit lower cost shipments of raw materials and finished WD-40 concentrate.

We are implementing an ambitious Marketing Program for 1979 and have already received encouraging reactions from a number of key accounts.



John S. Barry,
President

THE COMPANY

Corporate Objectives

Management is dedicated to the objectives of increasing corporate earnings and dividends by winning the end-user's brand loyalty for your Company's only product, WD-40.

The Product

WD-40 is the cornerstone of your Company. It is a chemical-petroleum based maintenance product consumed by end-users in homes, factories, garages, farms and offices throughout the free world. The well-established growth pattern in the demand for WD-40 attests to customer satisfaction with its performance.

WD-40 is typically procured for a specific application and, because of its unusual versatility, finds its way into many other uses. This broad range of uses provides your single-product Company with surprising diversification from a marketing point-of-view — it has little dependency on any one or even a group of end-users.

Markets

WD-40 is supplied to its many markets through a number of trade channels, the most important of which are: hardware, automotive, sporting goods, industrial and farm. Your Company envisions significant growth attainable through increased market penetration, especially in the Midwest and Eastern sections of the United States.

Competition

Your Company's success with WD-40 has not gone unnoticed. Numerous imitations from both fly-by-night operators and billion dollar conglomerates have been introduced into the marketplace. None has gained a significant market share even in those cases where the companies had a long established position in their own trade channels. It may well be that, as the leader, WD-40 benefits at both the trade and end-user level by this focusing of attention on our kind of product.

Operational Overview

While your Company is technically a manufacturer, it is really a marketer. Such being the case, it is organized to focus intensive management attention on critical success areas of: (1) sales policies, (2) marketing plan formulation, and (3) implementation of marketing plans. Other vital functions handled internally are: order handling, credit, concentrate formulation, and quality control.

WD-40 concentrate is formulated in San Diego and shipped by rail car or tank wagon to contract packagers in Los Angeles, Texas, Georgia, New Jersey, Wisconsin, and Toronto, Canada. Independent sub-contractors package WD-40 to rigid specifications and, upon order from your Company, ship WD-40 to customers in their respective areas via common carrier. The packagers have no responsibility for marketing WD-40.

Your Company has 28 employees in the United States and 4 in Canada.

Capital Requirements — Dividends

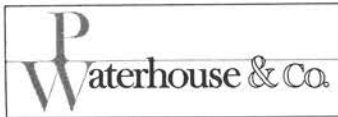
Your Company will be able to accommodate a very substantial increase in business with an insignificant addition to fixed assets. Growth will require modest increases to working capital. There are no other plans for utilizing earnings, hence, it is expected that unneeded funds will be paid out as dividends. The 33⅓% increase in the regular quarterly dividend to \$.20 per share effective January 30, 1978 and the 25% increase to \$.25 effective July 28, 1978 reflects this policy. These are restated amounts to reflect the 2 for 1 stock split.

International

Your Company has a network of licensees and distributors throughout the free world. While contributing less than 10% of sales and income, this business does enhance WD-40's overall image as well as build demand in the United States through "cross-pollinization."

Fiscal 1979

We have beefed-up our field proven marketing programs and fully expect to propel WD-40 sales and earnings to new record levels.



600 B STREET, SAN DIEGO, CALIFORNIA 92101
714-231-1200

October 18, 1978

To the Board of Directors and Shareholders
of WD-40 Company

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income and retained earnings and of changes in financial position present fairly the financial position of WD-40 Company and its subsidiary at August 31, 1978 and 1977, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Pricewaterhouse & Co.

**WD-40 COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS**

	Year ended August 31	
	1978	1977
Net sales	\$26,270,000	\$20,495,000
Royalty and other income	491,000	296,000
	<u>26,761,000</u>	<u>20,791,000</u>
Cost and expenses:		
Cost of products sold	10,957,000	9,230,000
Selling, general and administrative	5,228,000	4,154,000
Advertising and sales promotion	1,972,000	1,658,000
	<u>18,157,000</u>	<u>15,042,000</u>
Income before taxes on income	<u>8,604,000</u>	<u>5,749,000</u>
Provision for income taxes (Note 2):		
Federal	3,753,000	2,529,000
State	701,000	480,000
Foreign	16,000	4,000
	<u>4,470,000</u>	<u>3,013,000</u>
Net income	<u>4,134,000</u>	<u>2,736,000</u>
Beginning retained earnings	4,712,000	3,315,000
Cash dividends of \$.80 and \$.55 per share	(1,979,000)	(1,339,000)
Ending retained earnings	<u>\$ 6,867,000</u>	<u>\$ 4,712,000</u>
Earnings per share (Note 1)	<u>\$1.67</u>	<u>\$1.125</u>

see accompanying notes to consolidated financial statements

**WD-40 COMPANY AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET**

ASSETS	August 31	
	1978	1977
Current assets:		
Cash, including certificates of deposits of \$4,360,000 and \$2,005,000	\$ 5,116,000	\$3,090,000
Accounts receivable, less allowance for cash discounts and doubtful accounts of \$61,000 and \$65,000	3,546,000	3,194,000
Inventories, at the lower of average cost or market:		
Finished goods	484,000	190,000
Raw materials	179,000	167,000
	663,000	357,000
Prepaid taxes and expenses	296,000	191,000
Total current assets	9,621,000	6,832,000
Property, plant and equipment at cost (Note 1):		
Land	100,000	100,000
Building and improvements	474,000	474,000
Machinery and equipment	482,000	333,000
Leasehold improvements	19,000	19,000
	1,056,000	926,000
Less: Accumulated depreciation	(231,000)	(202,000)
	825,000	724,000
	<u>\$10,446,000</u>	<u>\$7,556,000</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 393,000	\$ 630,000
Accrued payroll and related expenses	345,000	263,000
Accrued sales commissions	271,000	271,000
Estimated taxes on income (Note 2)	1,574,000	533,000
Total current liabilities	2,312,000	1,697,000
Deferred income taxes (Note 2)	45,000	42,000
Shareholders' equity:		
Common stock, no par value, 3,000,000 shares authorized — issued and outstanding 2,478,090 and 2,462,490 shares stated at (Note 3)	1,101,000	984,000
Paid in capital	121,000	121,000
Retained earnings	6,867,000	4,712,000
Total shareholders' equity	8,089,000	5,817,000
	<u>\$10,446,000</u>	<u>\$7,556,000</u>

see accompanying notes to consolidated financial statements

**WD-40 COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES
IN FINANCIAL POSITION**

	Year ended August 31	
	1978	1977
Financial resources were provided by:		
Operations —		
Net income.....	\$4,134,000	\$2,736,000
Depreciation	61,000	62,000
Deferred income tax	3,000	5,000
Provided by operations.....	4,198,000	2,803,000
Disposition of equipment.....	3,000	6,000
Issuance of common stock.....	117,000	212,000
	<u>4,318,000</u>	<u>3,021,000</u>
Financial resources were used for:		
Cash dividends.....	1,979,000	1,339,000
Additions to plant and equipment.....	165,000	43,000
	<u>2,144,000</u>	<u>1,382,000</u>
Increase in working capital.....	<u>\$2,174,000</u>	<u>\$1,639,000</u>
Changes in components of working capital:		
Increase (decrease) in current assets —		
Cash.....	\$2,026,000	\$ 766,000
Accounts receivable.....	352,000	925,000
Inventories.....	306,000	(109,000)
Prepaid taxes and expenses.....	105,000	57,000
	<u>2,789,000</u>	<u>1,639,000</u>
Decrease (increase) in current liabilities —		
Accounts payable.....	237,000	(149,000)
Accrued payroll and related expenses	(82,000)	(39,000)
Accrued sales commissions	271,000	(75,000)
Estimated taxes on income	(1,041,000)	263,000
	<u>(615,000)</u>	<u>—</u>
Increase in working capital.....	<u>\$2,174,000</u>	<u>\$1,639,000</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — Summary of accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, WD-40 Products (Canada) Limited. All significant intercompany transactions have been eliminated. Accounts of the Canadian subsidiary have been translated into United States dollars at appropriate rates of exchange. The gain or loss resulting from translation, which was not material in amount, has been included in operations.

Depreciation

Depreciation of plant and equipment has been provided on the straight-line method, based upon estimated useful lives of thirty years for the plant, ten to fifteen years for machinery and equipment, and leasehold improvements over the life of the lease. Management has elected to depreciate plant, machinery and equipment on the declining balance method for income tax purposes. Expenditures for renewals and betterments are capitalized; maintenance and repair costs are expensed. Upon the sale or retirement of

property, plant and equipment, cost and related depreciation are cleared from the accounts and any gain or loss is included in operations.

Earnings per share

Earnings per share are based on the weighted average number of shares outstanding during each year after giving retroactive effect to the 2 for 1 stock split in October 1978, as described in Note 3. Stock options do not have a material dilutive effect and have been excluded from per share computations.

NOTE 2 — Income taxes

Income tax provisions are computed at the statutory rates in effect for Federal, state and foreign authorities, respectively. The provision for income taxes includes the following timing differences:

	Year ended August 31	
	1978	1977
Due to expenses recorded in advance of tax deduction —		
California Franchise Tax	\$(103,000)	\$(29,000)
Other — net	<u>1,000</u>	<u>1,000</u>
	(102,000)	(28,000)
Due to tax deduction in advance of recording expense —		
Excess of tax over book depreciation	<u>3,000</u>	<u>5,000</u>
Tax effect of timing differences	<u>\$(99,000)</u>	<u>\$(23,000)</u>

Investment tax credits, which are not material in amount, are accounted for under the flow through method.

NOTE 3 — Common stock

In September 1978, the Company's Board of Directors voted to increase the number of authorized common shares from 2,000,000 to 3,000,000 and to effect a 2 for 1 stock split by issuance of one additional share of common stock for each share held to shareholders of record on October 10, 1978. Shares of common stock, dividends per share, stock options, prices at which options are exercisable, and earnings per share have been computed giving retroactive effect to the stock split.

The Company has a Qualified Stock Option Plan under which officers and key employees of the Company may be granted options to purchase an aggregate of not more than 60,000 shares of the Company's no par value common stock at a price not less than 100% of the fair market value of the stock at the date of grant. Options are exercisable one year after grant and may not be granted for terms in excess of five years. Options for 15,600 shares granted from September 1973 through September 1975 at \$5.50 to \$11.38 per share were outstanding at August 31, 1977. These options were all exercised during fiscal 1978, leaving no options outstanding at August 31, 1978. The proceeds from the exercise of the options were credited to common stock. A total of 16,400 shares were available for future grants at August 31, 1977 and 1978.

A summary of changes in common stock during the past two years, giving retroactive effect to the stock split, is as follows:

	Number of shares	Stated value
Balance at August 31, 1976	2,434,490	\$ 772,000
Exercise of stock options	<u>28,000</u>	<u>212,000</u>
Balance at August 31, 1977	2,462,490	984,000
Exercise of stock options	<u>15,600</u>	<u>117,000</u>
Balance at August 31, 1978	<u>2,478,090</u>	<u>\$1,101,000</u>

NOTE 4 — Profit sharing plan

The Company has a Profit Sharing Plan for the benefit of their regular full time employees, including officers. The Plan provides for annual contributions into a trust which are based upon an annual earnings formula, or more as approved by the Board, but which may not exceed the amount deductible for Federal income tax purposes. The Plan may be amended or discontinued at any time by the Company. Profit sharing expense for 1978 and 1977 approximated \$108,000 and \$91,000, respectively.

NOTE 5 — Quarterly financial information (unaudited)

The following table sets forth certain unaudited quarterly financial information for the two years ended August 31, 1978:

Quarter ended:	Net sales	Gross profit	Net income	Earnings per share
November 30, 1976	\$ 4,204,000	\$ 2,286,000	\$ 556,000	\$.23
February 28, 1977	5,298,000	2,892,000	649,000	.265
May 31, 1977	5,743,000	3,040,000	698,000	.29
August 31, 1977	5,250,000	3,047,000	833,000	.34
	<u>\$20,495,000</u>	<u>\$11,265,000</u>	<u>\$2,736,000</u>	<u>\$1.125</u>
November 30, 1977	\$ 5,376,000	\$ 3,242,000	\$ 808,000	\$.33
February 28, 1978	6,736,000	3,957,000	1,030,000	.42
May 31, 1978	8,066,000	4,591,000	1,237,000	.50
August 31, 1978	6,092,000	3,523,000	1,059,000	.42
	<u>\$26,270,000</u>	<u>\$15,313,000</u>	<u>\$4,134,000</u>	<u>\$1.67</u>

COPY OF FORM 10-K

Beneficial owners may obtain a copy of WD-40 Company's annual report on Form 10-K filed with the Securities and Exchange Commission for 1978 by writing to the Secretary, WD-40 Company, 1061 Cudahy Place, San Diego, CA 92110.

QUARTERLY STOCK PRICE AND DIVIDEND INFORMATION

Period	Fiscal 1978			Fiscal 1977		
	High	Low	Dividend	High	Low	Dividend
First quarter	14½	12	\$.15	9⅞	7⅞	\$.125
Second quarter	16½	14½	.20	11⅞	9½	.125
Third quarter	22	16½	.20	10¾	9⅝	.15
Fourth quarter	29½	23½	.25	12¾	10¾	.15

The high and low sales prices are as quoted in Standard and Poor's Daily Stock Prices, adjusted to give retroactive effect to the 2 for 1 stock split which was effected on October 10, 1978.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE LAST FIVE FISCAL YEARS OF OPERATIONS (SEE SUMMARY OF OPERATIONS ON PAGES 9 AND 10)

Sales

Ever expanding marketing programs have resulted in the following sales growth rates for 1974 through 1978 respectively: 41.2%, 19.9%, 38.9%, 18.2% and 28.2%. All growth was "real" except for 1975 which benefited from a price adjustment of 10.6% in the last month of fiscal 1974. Fiscal 1975 was stunted by a weak economy.

Cost of Products Sold

Product cost as a per cent of sales was fairly steady during 1973, then the cost of container, propellant, chemical, and petroleum based ingredients shot up in 1974 and 1975. Costs tended to stabilize in 1976. A new propellant system eased costs the latter part of 1977 and throughout 1978.

Selling, Advertising, General and Administrative Expenses

Selling, administrative and marketing expense fluctuated within a narrow range as a per cent of sales: 27.6%, 27.9%, 28.3%, 28.4% and 27.4% from 1974 through 1978, respectively.

Board of Directors

Thomas Barger	Consultant, Former Chairman of the Board, Aramco
John S. Barry	President, Treasurer
Sam Crivello	Investor
Eugene H. DeFalco	Investor
Reginald S. Fleet	Investment Advisor
Harlan F. Harmsen	Attorney, Harmsen, Carpenter & Wilkinson
J. Lawrence Irving	Secretary; Attorney
Margaret L. Roulette	Investor
Lucia D. Taylor	Investor

Officers

John S. Barry	President, Treasurer
Albert P. Schafer	Vice President — Sales
Gerald C. Schleif	Vice President — Marketing
J. Lawrence Irving	Secretary
Judith A. Nieto	Assistant Secretary

General Counsel

Harmsen, Carpenter & Wilkinson

Independent Accountants

Price Waterhouse & Co.
San Diego, California

Transfer Agent & Registrar

Bank of America, 111 West 7th St., Los Angeles, California 90014

Corporate Office

1061 Cudahy Place
San Diego, California 92110
714/275-1400

Annual Meeting

2:00 PM, November 27, 1978
Company Offices
1061 Cudahy Place
San Diego, California 92110

Listed

Over the Counter. Symbol WDFC

TEN YEAR SUMMARY (1)

FISCAL YEAR ENDED AUGUST 31

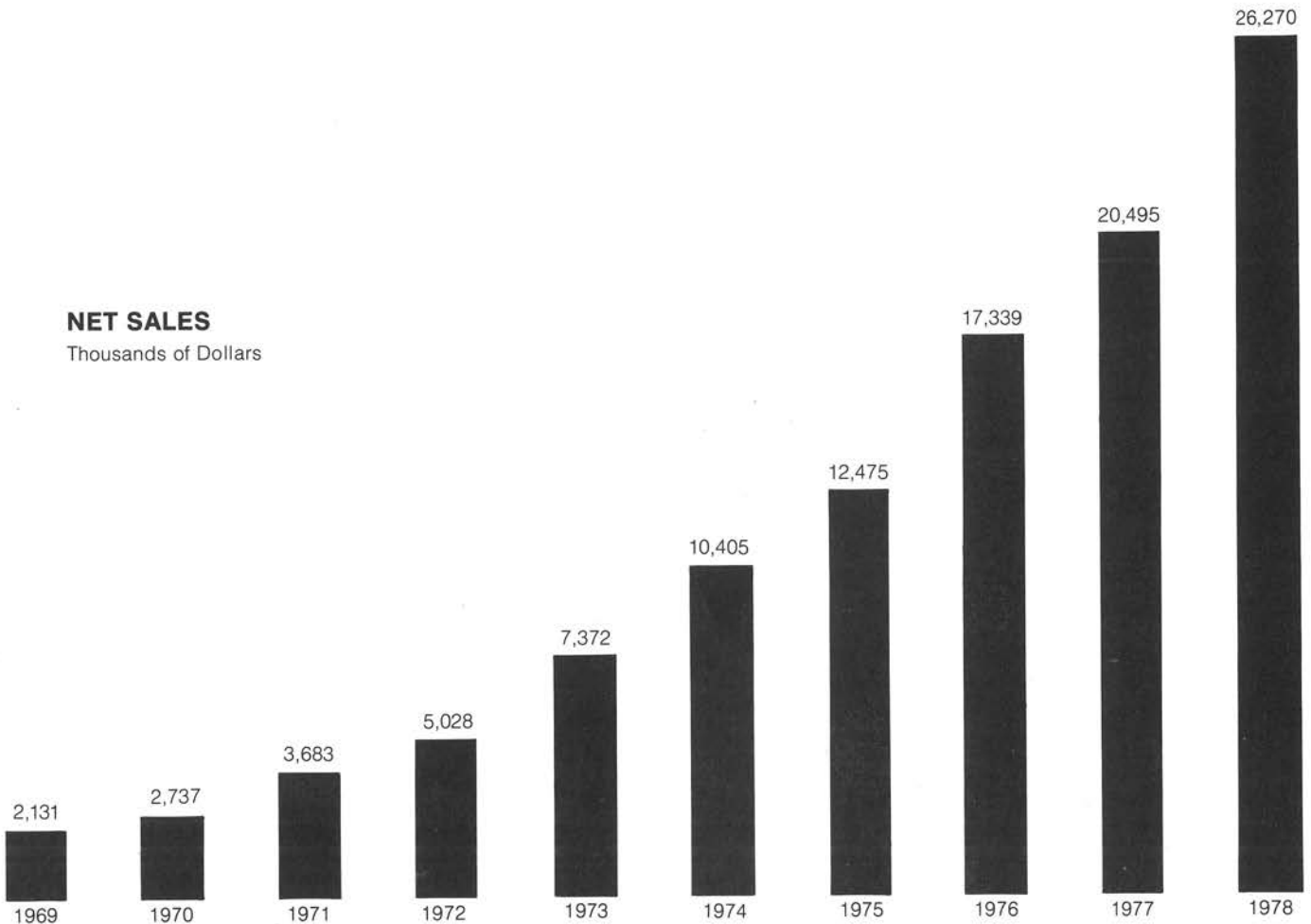
	1969	1970	1971
Net sales	\$2,131,000	\$2,737,000	\$3,683,000
Cost of products sold	794,000	1,043,000	1,443,000
Gross profit	1,337,000	1,694,000	2,240,000
Selling, advertising, general and administrative expense.....	532,000	681,000	1,004,000
Royalty and other income.....	71,000	42,000	70,000
Income before taxes on income.....	876,000	1,055,000	1,306,000
Provision for income taxes (2).....	484,000	569,000	668,000
Net income.....	\$ 392,000	\$ 486,000	\$ 638,000
Earnings per share (3).....	\$.17	\$.21	\$.275
Cash dividends per share (4)	\$.305	\$.33	\$.515

(1) Includes the accounts of the Company and its wholly owned subsidiary. All significant intercompany transactions have been eliminated. See Management's Discussion and Analysis of Operations of the five years ended August 31, 1974 through 1978 on page 8.

(2) The Company's shareholders elected to be taxed under Subchapter S of the Internal Revenue Code of 1954 during the four years ended August 31, 1969 through 1972. Under this election, the Company paid no Federal income tax for these years because taxable income of the Company was includable in the Federal income tax returns of the shareholders. A charge equivalent to Federal income taxes which would have been paid, had the Subchapter S election not been made, has been included in the provision for income taxes for fiscal 1969 through 1972.

NET SALES

Thousands of Dollars



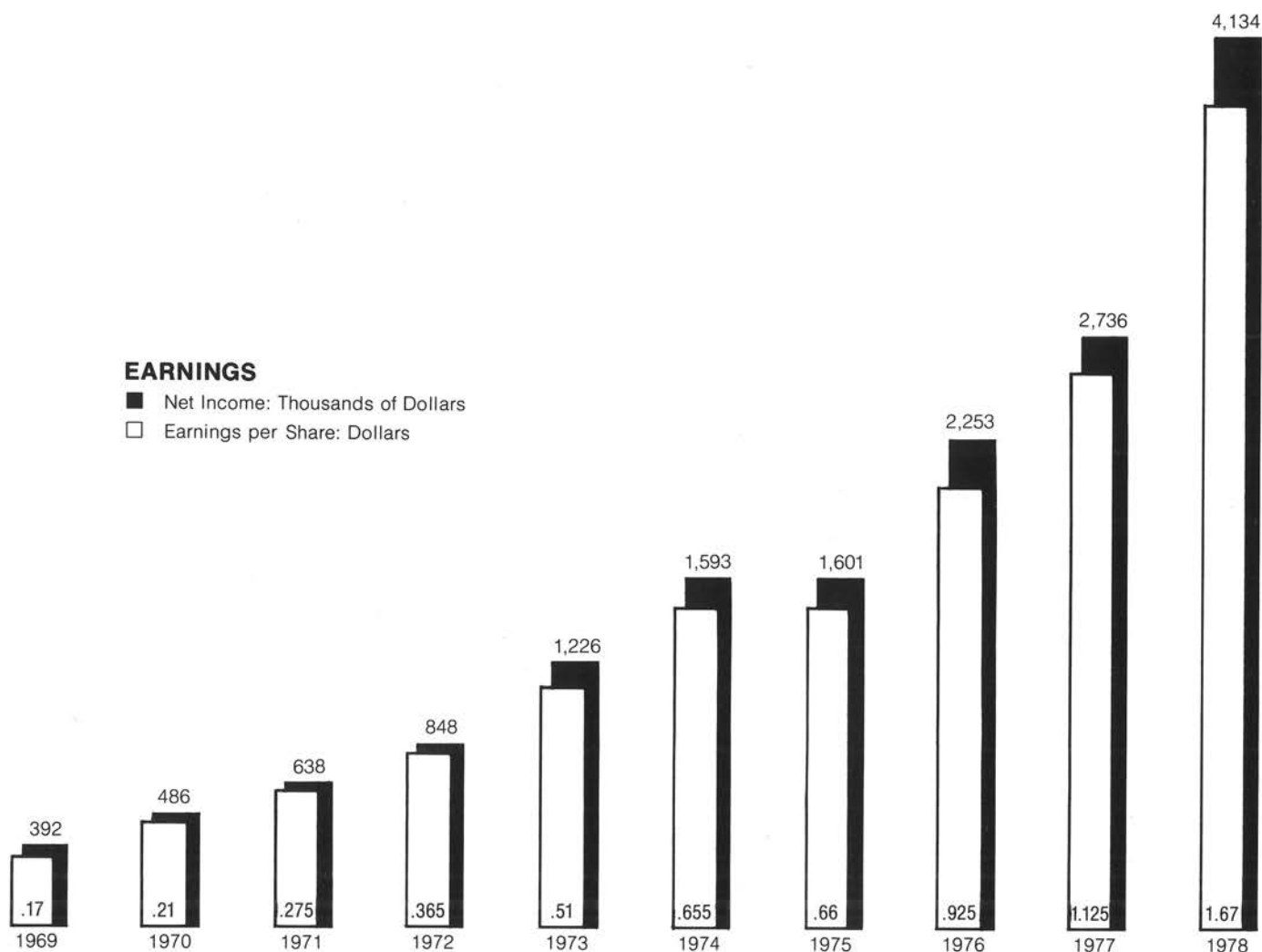
1972	1973	1974	1975	1976	1977	1978
\$5,028,000	\$7,372,000	\$10,405,000	\$12,475,000	\$17,339,000	\$20,495,000	\$26,270,000
1,921,000	2,834,000	4,392,000	5,863,000	7,929,000	9,230,000	10,957,000
3,107,000	4,538,000	6,013,000	6,612,000	9,410,000	11,265,000	15,313,000
1,469,000	2,140,000	2,877,000	3,483,000	4,918,000	5,812,000	7,200,000
111,000	146,000	193,000	210,000	229,000	296,000	491,000
1,749,000	2,544,000	3,329,000	3,339,000	4,721,000	5,749,000	8,604,000
901,000	1,318,000	1,736,000	1,738,000	2,468,000	3,013,000	4,470,000
\$ 848,000	\$1,226,000	\$ 1,593,000	\$ 1,601,000	\$ 2,253,000	\$ 2,736,000	\$ 4,134,000
\$.365	\$.51	\$.655	\$.66	\$.925	\$1.125	\$1.67
\$.53	\$.475	\$.40	\$.40	\$.475	\$.55	\$.80

(3) Earnings per common share have been computed based upon the weighted average number of shares of common stock outstanding during each year after giving retroactive effect to the 42.5 for 1 stock split in November 1972 and the 2 for 1 stock split in October 1978. The weighted average number of shares outstanding during the fiscal years through August 31, 1972, the year ended August 31, 1973, the years ended August 31, 1974 through 1976, the year ended August 31, 1977 and the year ended August 31, 1978 were 2,331,890, 2,407,706, 2,434,490, 2,434,566 and 2,471,426 respectively.

(4) The cash dividends paid per common share have been retroactively restated to give effect to the November 1972 and October 1978 stock splits. Cash distributions paid to the shareholders through November 1972 were based on the approximate taxable income under Subchapter S for the four years ended August 31, 1969 through 1972 and therefore exceed net income after the charge equivalent to Federal taxes on income.

EARNINGS

- Net Income: Thousands of Dollars
- Earnings per Share: Dollars





WD-40 COMPANY 1061 CUDAHY PLACE, SAN DIEGO, CA 92110